

## EDEN DEVELOPERS PRIVATE LIMITED (EDPL)

RATING (APRIL 2008)

EDEN DEVELOPERS (PVT.) LIMITED

	INITIAL
<i>SUKUK</i> PKR 200mln	A-

### FINANCIAL DATA

PKR (MLN)

	30-Jun-07	30-Jun-06
Total Assets	5,991.1	6,832.2
Turnover	1,889.8	1,684.2
Net Income	22.5	34.2
EBITDA	417.6	379.2
EBITDA/Interest	1.1	1.2
Net Int. Cover	1.1	1.2
Current Ratio	1.9	1.7

### ANALYSTS

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### RATING RATIONALE AND KEY DRIVERS

- The rating reflects EDPL's established project implementation capability supplemented by strong supervisory controls developed over the years. Meanwhile, the rating recognizes the adequate structure of the *Sukuk*, which, inter-alia, includes charge over the land to be utilized for the development and construction of the company's upcoming housing project to be developed in Eden City - a housing scheme of EDPL located close to Lahore International Airport - and the cash flows to be generated from the underlying project.
- The timely execution of the development and construction work of the said project, and particularly within the planned cost parameters would be critical for the rating.

### SUKUK STRUCTURE

- EDPL usually requires financing from financial institutions at the land acquisition and development stage of the project. Following its business model, the company issued rated, privately placed *Sukuk* to meet the financing requirements of its upcoming project. The total area of the underlying project land, 652 Kanal, has already been acquired by EDPL. The project will constitute above 750 housing units with unit size of 10 Marla each.
- Once the project is launched, EDPL has ample liquidity generated through down payment and installments from customers to construct and complete the project on time. Customer advances, usually around 20% of sale price, are received at the time of booking. The booking pattern is such that a project is usually 70% booked in its first year. Thus an adequate amount of liquidity relative to the cost of construction is generated at the early stages. However, consistent cash flow generation from clients is exposed to default risk, which is mitigated by the detailed documentation that is carried out with the buyers clearly stating the terms and conditions that need to be adhered by both parties.
- The structure of the said instrument is based on the *Diminishing Musharakah* arrangement, an Islamic mode of financing. The total amount of the *Sukuk* is PKR 200mln. The instrument has a tenor of two years carrying profit based on 3 months KIBOR *plus* 300 bps to be paid on quarterly basis in arrears. The principal would be redeemed after a grace period of one year in four equal quarterly installments. The said instrument was issued to reprofile an existing term facility of EDPL.
- The *Sukuk* holders have charge over the land of the underlying housing project with 25% margin. In addition to this charge, *Sukuk* holders are assigned allocation of future receivables expected to be generated from the project. The said project, planned to be launched in Jun-08, is targeted to be completed in 2 years time after its launch. EDPL intends to sell all the units within around a year from the date of launch.
- During the tenor of the *Sukuk*, the management undertakes to maintain current ratio of EDPL at least at unity.
- The Directors of EDPL would also provide personal guarantees for redemption of *Sukuk*.